

# MOBILIZATION OF PRIVATE FINANCE BY MULTILATERAL DEVELOPMENT BANKS

## 2016 Joint Report

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This report was written by a group of multilateral development banks (MDBs), composed of the African Development Bank (AfDB), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), the Islamic Corporation for the Development of the Private Sector (ICD), the International Finance Corporation (IFC), the Islamic Development Bank (IsDB), the Multilateral Investment Guarantee Agency (MIGA), the New Development Bank (NDB) and the World Bank (WB). The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the official views of the MDBs' Boards of Executive Directors, or the governments they represent.

## Mobilization of Private Finance by Multilateral Development Banks: 2016 Joint Report

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*Joint Report by the African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Inter-American Investment Corporation, Islamic Corporation for the Development of the Private Sector, Islamic Development Bank, International Finance Corporation, Multilateral Investment Guarantee Agency, New Development Bank and World Bank*

### Introduction

In 2015, the global community adopted the 2030 Sustainable Development Agenda and the Sustainable Development Goals (SDGs) that underpin it, as well as actions needed to fulfill the commitments made at the 21st Conference of the Parties to the UN Framework Convention on Climate Change.

As we highlighted at the Third International Conference on Financing for Development in July 2015, the financial resources needed to achieve the SDGs far exceed current financial flows. Indeed, as explained in a paper prepared for the Conference and endorsed by the World Bank/IMF Development Committee in April 2015<sup>1</sup>, the world needs to move from billions to trillions of financing in order to meet the challenge of promoting inclusive, sustainable growth, reducing poverty and inequality, and protecting the planet.

At this time, we came together as Multilateral Development Banks to reaffirm our pledge to catalyze more investment from private investors and other sources of capital such as pension funds, sovereign wealth funds and insurance companies. We do this by leveraging our own capital base by borrowing from capital markets to increase our own ability to finance development. In addition, we catalyze greater private investment by: i) helping evaluate and structure high quality investment projects; ii) helping mitigate risk (real and perceived) associated with investments that have a positive development impact; iii) mobilizing resources from and co-investing alongside both traditional investors and new sources of commercial financing for development; and iv) developing new financial products to help unlock additional flows.

While we each report the leverage of our own balance sheets according to accepted financial reporting standards, the mobilization and catalyzation of private investment through our financing and advisory activities has not been measured and reported in a comprehensive and consistent way. We have therefore lacked a common basis on which to track progress in increasing our contribution to catalyzing private investment to support our shared development objectives.

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<sup>1</sup> 'From Billions to Trillions; Transforming Development Finance' prepared jointly by AfDB, ADB, EBRD, EIB, IDB, IMF and WBG for the April 18, 2015 Development Committee meeting.

To remedy this, we worked together to develop a joint framework and methodology to measure private investment catalyzed by the MDBs. This would allow us to measure private investment catalyzed on a consistent basis by applying common definitions and methodologies, and to report more fully on our contributions to a range of development priorities, including climate change and infrastructure development. By coordinating measurement and reporting across MDBs in this way, we will increase the transparency and accountability of our work, and identify potential gaps and opportunities to do more.

Building on our work to harmonize reporting on climate finance, we have agreed on an initial set of definitions and methodologies to measure the total amount of '*private cofinancing mobilized*' in our operations, and its component parts of '*private direct mobilization*' and '*private indirect mobilization*' for most of our financial products and for direct transaction advisory services.

We note that different measures can be tracked and reported with different degrees of accuracy. Because private direct mobilization involves a transactional relationship between the MDB and the client, this metric can be captured with the greatest accuracy, and in some MDBs is audited. Private cofinancing of an MDB-supported project or activity may not directly involve the MDB in arranging the financing, and therefore measurement relies on voluntary reporting by the client or estimates by the project team. It is therefore likely to be less accurate. This does not imply that it is less important to measure – indeed the amounts are substantially larger.

We have made efforts to avoid double-counting where more than one MDB is involved in a transaction, and we have applied attribution rules to this end. Since this is the first time we are reporting using these new definitions, our information systems are not yet fully in place and the basis for accurate estimation and attribution is incomplete. We therefore acknowledge limitations on the accuracy of the results and we urge caution in using the data from the first year of reporting as a baseline for projecting future amounts. We expect to fine-tune the methodology, establish more robust information systems, and otherwise improve the reliability of the data in future years. This may result in upward or downward movement of the reported amounts independent of the actual amounts mobilized.

We recognize that we also catalyze private investment on a much broader scale through advice, support for policy reform, capacity building, demonstration effects, and other activities which trigger an investment response from private investors, or which open new opportunities for private investment. We will continue to explore ways to measure and report on this broader *private investment catalyzation*. We will also explore ways to capture the mobilization impact of a wider range of MDB advisory work. We recognize that without the ability to measure these wider impacts, we are capturing only a part of our overall efforts to catalyze private investment.

We emphasize that these measures of private investment mobilization and cofinancing track the size of the financial flows, but do not measure the development impact of these flows. We continue to measure and report on the development impact of our operations through our established results measurement systems.

## 2016 Results

Based on 2016 commitment data<sup>2</sup>, we estimate that the total amount of long-term co-financing mobilized by the MDBs from private investors and other institutional investors (including insurance companies, pension funds, and sovereign wealth funds) in all countries of operation was US\$163.6 billion. Of this, private direct mobilization is estimated at US\$49.9 billion. In addition, we estimate the MDBs' private direct mobilization through short-term finance was US\$3.7 billion. Mobilization of short term finance from the private sector was focused on closing market gaps in trade and micro, small and medium enterprises (MSME) finance.

This financing supported investment in a range of sectors. In view of the importance of private financing to meet the enormous infrastructure financing needs of developing countries, we estimate the proportion of total long-term cofinancing for infrastructure (including power, water, transportation, telecoms, IT and social infrastructure (such as schools and hospitals)) in all countries of operation was US\$68.7 billion. Private direct mobilization for infrastructure was US\$7.1 billion.

<b>ALL COUNTRIES OF OPERATION</b>		
<b>From Private Investors and Other Institutional Investors (Long Term):</b>	<b>Total (US\$ billion)</b>	<b>Of which Infrastructure (US\$ billion)</b>
<b>Direct Mobilization</b>	<b>49.9</b>	<b>7.1</b>
<b>Indirect Mobilization</b>	<b>113.7</b>	<b>61.5</b>
<b>Total Mobilization = Cofinancing</b>	<b>163.6</b>	<b>68.7</b>

<b>From Private Investors and Other Institutional Investors:</b>	<b>Total (US\$ billion)</b>
<b>Direct Mobilization - Short Term</b>	<b>3.7</b>

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<sup>2</sup> AfDB and IsDB data is based on approvals. NDB did not have operations with private mobilization to report in 2016.

## Annex – Disaggregated Results

The data contained in this annex disaggregates MDBs’ aggregate amount of Direct and Indirect Mobilization from private investors and other institutional investors (including insurance companies, pension funds, and sovereign wealth funds) on a consistent basis. Please refer to the “*Joint MDB Reporting on Private Investment Mobilization: Methodology Reference Guide*” ([www.worldbank.org/mdbmobguide](http://www.worldbank.org/mdbmobguide)) for further information and detailed methodologies.

The data is disaggregated by country income group (i.e. low income countries, low income countries and other least developed countries, middle income countries, and high income countries) and by institution. “Low income countries”, “middle income countries” and “high income countries” are defined using the World Bank Atlas method. “Least developed countries” are defined as per United Nations Committee for Development.

### 1. ALL COUNTRIES

ALL COUNTRIES OF OPERATION – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	49.9	7.1
Indirect Mobilization	113.7	61.5
<b>Total Mobilization</b>	<b>163.6</b>	<b>68.7</b>

ALL COUNTRIES OF OPERATION– ALL SECTORS	
From Private Investors and Other Institutional Investors:	Total (US\$ billion)
Direct Mobilization - Short Term	3.7

ALL COUNTRIES OF OPERATION– ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,995.0	459.5	8,535.5
AfDB	1,908.9	1,088.4	820.5
AIIB	5.0	0.0	5.0
EBRD	9,950.4	1,479.6	8,470.8
EIB	90,356.5	36,502.7	53,853.8
IDBG	1,655.8	703.3	952.5
IsDB Group	12,446.8	945.2	11,501.6
WBG	38,313.4	8,706.3	29,607.1
-IFC	20,144.2	4,144.5	15,999.7
-MIGA	7,211.3	3,977.8	3,233.4
-WB	10,958.0	584.0	10,374.0
<b>TOTAL</b>	<b>163,631.7</b>	<b>49,884.9</b>	<b>113,746.7</b>

<b>ALL COUNTRIES OF OPERATION</b>			
Short Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	1,796.5	1,796.5	NA
AfDB	200.0	200.0	NA
IDBG	381.5	381.5	NA
IsDB Group	770.0	770.0	NA
WBG	540.0	540.0	NA
-IFC	540.0	540.0	NA
<b>TOTAL</b>	<b>3,688.0</b>	<b>3,688.0</b>	NA

<b>ALL COUNTRIES OF OPERATION – INFRASTRUCTURE ONLY</b>			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,576.1	303.4	8,272.7
AfDB	1,908.9	1,088.4	820.5
AIIB	5.0	0.0	5.0
EBRD	3,530.3	1,200.7	2,329.6
EIB	31,650.0	283.5	31,366.5
IDBG	1,201.6	268.5	933.1
IsDB Group	7,155.6	25.0	7,130.6
WBG	14,648.40	3,964.00	10,684.50
-IFC	7,733.8	1,713.0	6,020.9
-MIGA	2,160.0	1,667.0	493.0
-WB	4,754.6	584.0	4,170.6
<b>TOTAL</b>	<b>68,675.9</b>	<b>7,133.4</b>	<b>61,542.5</b>

## 2. LOW INCOME COUNTRIES<sup>3,4</sup>

<b>LOW INCOME COUNTRIES – ALL SECTORS</b>		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	1.0	0.2
Indirect Mobilization	4.9	1.1
<b>Total Mobilization</b>	<b>5.9</b>	<b>1.2</b>

<sup>3</sup> Low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of US\$1,025 or less in 2015.

<sup>4</sup> Data split by country income level was not disclosed in the 2016 joint reporting at the time of publication.

<b>LOW INCOME COUNTRIES – ALL SECTORS</b>			
<b>Total Long Term Financing</b>	<b>Private Co-financing (US\$ million)</b>	<b>Private Direct Mobilization (US\$ million)</b>	<b>Private Indirect Mobilization (US\$ million)</b>
ADB	19.2	0.0	19.2
AfDB	863.4	123.4	740.0
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EIB	300.0	147.8	152.1
IDBG	0.0	0.0	0.0
IsDB Group	2,896.7	428.7	2,468.0
WBG	1,799.80	289.20	1,510.60
-IFC	1,696.8	193.2	1,503.6
-MIGA	56.0	56.0	0.0
-WB	47.0	40.0	7.0
<b>TOTAL</b>	<b>5,879.1</b>	<b>989.1</b>	<b>4,890.0</b>
<b>LOW INCOME COUNTRIES – INFRASTRUCTURE ONLY</b>			
<b>Infra Financing</b>	<b>Private Co-financing (US\$ million)</b>	<b>Private Direct Mobilization (US\$ million)</b>	<b>Private Indirect Mobilization (US\$ million)</b>
ADB	7.1	0.0	7.1
AfDB	863.4	123.4	740.0
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EIB	36.7	0.0	36.7
IDBG	0.0	0.0	0.0
IsDB Group	94.0	0.0	94.0
WBG	232.2	46.3	185.9
-IFC	189.4	6.3	183.1
-MIGA	0.0	0.0	0.0
-WB	42.8	40.0	2.8
<b>TOTAL</b>	<b>1,233.4</b>	<b>169.6</b>	<b>1,063.7</b>

### 3. LOW INCOME COUNTRIES AND LEAST DEVELOPED COUNTRIES<sup>5</sup>

<b>LOW INCOME COUNTRIES AND OTHER LEAST DEVELOPED COUNTRIES – ALL SECTORS</b>		
<b>From Private Investors and Other Institutional Investors (Long Term):</b>	<b>Total (US\$ billion)</b>	<b>Of which Infrastructure (US\$ billion)</b>
<b>Direct Mobilization</b>	<b>2.2</b>	<b>1.0</b>
<b>Indirect Mobilization</b>	<b>5.8</b>	<b>2.6</b>
<b>Total Mobilization</b>	<b>8.0</b>	<b>3.6</b>

<sup>5</sup> In addition to the low income countries (“LICs”), “low-income countries and least developed countries” group contains 19 non-LICs included in UN’s list of Least Developed Countries. According to the United Nations Committee for Development Policy (CDP), least developed countries are those confronting severe structural impediments to sustainable development. There are currently 48 countries on the list of LDCs (as of May 2016) which is reviewed every three years by the CDP.



LOW INCOME COUNTRIES AND OTHER LEAST DEVELOPED COUNTRIES – ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	0.0	0.0	0.0
AfDB	863.4	123.4	740.0
AIIB	5.0	0.0	5.0
EBRD	0.0	0.0	0.0
EIB	300.0	147.8	152.1
IDBG	0.0	0.0	0.0
IsDB Group	3,020.7	470.7	2,550.0
WBG	3,805.10	1,445.90	2,359.20
-IFC	2,581.2	678.1	1,903.2
-MIGA	1,176.9	727.8	449.1
-WB	47.0	40.0	7.0
<b>TOTAL</b>	<b><u>7,994.1</u></b>	<b><u>2,187.8</u></b>	<b><u>5,806.3</u></b>

LOW INCOME COUNTRIES AND OTHER LEAST DEVELOPED COUNTRIES – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	0.0	0.0	0.0
AfDB	863.4	123.4	740.0
AIIB	5.0	0.0	5.0
EBRD	0.0	0.0	0.0
EIB	36.7	0.0	36.7
IDBG	0.0	0.0	0.0
IsDB Group	144.0	30.0	114.0
WBG	2,549.8	839.8	1,710.0
-IFC	550.8	128.0	422.8
-MIGA	1,120.9	671.8	449.1
-WB	878.1	40.0	838.1
<b>TOTAL</b>	<b><u>3,598.8</u></b>	<b><u>993.1</u></b>	<b><u>2,605.7</u></b>

#### 4. MIDDLE INCOME COUNTRIES<sup>6</sup>

MIDDLE INCOME COUNTRIES – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	15.5	5.8
Indirect Mobilization	49.7	24.9
<b>Total Mobilization</b>	<b>65.2</b>	<b>30.8</b>

<sup>6</sup> Middle-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, between US\$1,026 and US\$12,475 in 2015.

<b>MIDDLE INCOME COUNTRIES – ALL SECTORS</b>			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,965.6	459.0	8,506.6
AfDB	1,045.5	965.0	80.5
AIIB	5.0	0.0	5.0
EBRD	6,421	1,167.0	5,254.3
EIB	7,866.3	4,384.6	3,481.7
IDBG	1,481.3	615.8	865.5
IsDB Group	4,406.1	296.5	4,109.6
WBG	35,014.70	7,645.90	27,368.90
-IFC	17,439.5	3,658.6	13,781.0
-MIGA	6,664.2	3,443.3	3,220.9
-WB	10,911.0	544.0	10,367.0
<b>TOTAL</b>	<b>65,205.7</b>	<b>15,533.7</b>	<b>49,672.1</b>

<b>MIDDLE INCOME COUNTRIES – INFRASTRUCTURE ONLY</b>			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,565.0	303.0	8,262.0
AfDB	1,045.5	965.0	80.5
AIIB	5.0	0.0	5.0
EBRD	2,806.7	979.6	1,827.0
EIB	1,391.5	0.0	1,391.5
IDBG	1,034.1	181.0	853.1
IsDB Group	2,137.7	25.0	2,112.7
WBG	13,796.10	3,381.20	10,414.90
-IFC	7,468.3	1,714.2	5,754.1
-MIGA	2,160.0	1,667.0	493.0
-WB	4,167.8	0.0	4,167.8
<b>TOTAL</b>	<b>30,781.5</b>	<b>5,834.9</b>	<b>24,946.6</b>

## 5. HIGH INCOME COUNTRIES<sup>7</sup>

<b>HIGH INCOME COUNTRIES – ALL SECTORS</b>		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	33.4	0.6
Indirect Mobilization	59.2	35.5
<b>Total Mobilization</b>	<b>92.5</b>	<b>36.1</b>

<sup>7</sup> High-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, of \$12,476 or more in 2015.

HIGH INCOME COUNTRIES – ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	9.6	0.0	9.6
AfDB	0.0	0.0	0.0
AIIB	0.0	0.0	0.0
EBRD	3,529.1	312.6	3,216.5
EIB	82,190.2	31,970.2	50,220.0
IDBG	174.5	87.5	87.0
IsDB Group	5,144.0	220.0	4,924.0
WBG	1,498.90	771.30	727.60
-IFC	1,007.8	292.7	715.1
-MIGA	491.1	478.6	12.5
-WB	0.0	0.0	0.0
<b>TOTAL</b>	<b><u>92,546.4</u></b>	<b><u>33,361.7</u></b>	<b><u>59,184.7</u></b>

HIGH INCOME COUNTRIES – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	3.6	0.0	3.6
AfDB	0.0	0.0	0.0
AIIB	0.0	0.0	0.0
EBRD	723.7	221.1	502.6
EIB	30,221.7	283.5	29,938.3
IDBG	167.5	87.5	80.0
IsDB Group	4,924.0	0.0	4,924.0
WBG	86.20	2.40	83.70
-IFC	86.2	2.4	83.7
-MIGA	0.0	0.0	0.0
-WB	0.0	0.0	0.0
<b>TOTAL</b>	<b><u>36,126.6</u></b>	<b><u>594.5</u></b>	<b><u>35,532.2</u></b>